

## Message Text

UNCLASSIFIED

PAGE 01 MONTRE 00927 091308Z

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00  
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05  
SS-15 STR-04 CEA-01 /093 W  
-----092123Z 000623 /72

R 082114Z JUN 77

FM AMCONSUL MONTREAL  
TO SECSTATE WASHDC 9054  
INFO AMEMBASSY OTTAWA  
AMCONSUL QUEBEC

UNCLAS MONTREAL 927

E. O. 11652: N/A  
TAGS: ECON, CA  
SUBJ: QUEBEC STEEL COMPANY FORCED TO CLOSE

REF: MONTREAL 494

1. AFTER MONTHS OF UNSUCCESSFUL NEGOTIATIONS TO SECURE GOVERNMENT BACKING FOR PRIVATE BANK LOANS, QSP. LTD., A MONTREAL BASED STEEL COMPANY, WILL TERMINATE OPERATIONS. ACTION COMES AFTER ROYAL BANK MADE DECISION TO CALL IN DOLS 42 MILLION IN LOANS TO QSP, AND SEIZED COMPANY'S LONGEUIL STEEL MILL. BANK CANADIAN NATIONAL THEN FOLLOWED, CALLING IN DOLS 14 MILLION IN LOANS AND SEIZING REMAINING ASSETS OF QSP. WHILE SOME 600 EMPLOYEES IN QSP SUBSIDIARIES HAVE NOT YET LOST JOBS, CLOSING OF STEEL MILL HAS LEFT SOME 500 WORKERS WITHOUT WORK.
  2. FACED WITH HEAVY DEBT STRUCTURE AND INABILITY MAKE PAYMENTS, QSP HAS BEEN NEGOTIATING FOR EIGHTEEN MONTHS TO OBTAIN AN EASING OF ITS DEBT REPAYMENT SCHEDULE AND A FURTHER DOLS 12.5 MILLION LOAN. ROYAL BANK AGREED TO GO ALONG WITH PROPOSAL IF QSP COULD OBTAIN GOVERNMENT GUARANTEE COVERING DOLS 7.5 MILLION OF LOAN. QUEBEC PROVINCIAL GOVERNMENT ANNOUNCED DECISION IN UNCLASSIFIED
- UNCLASSIFIED
- PAGE 02 MONTRE 00927 091308Z
- MARCH NOT TO PROVIDE NECESSARY BACKING, AND WHEN FEDERAL GOVERNMENT DID NOT STEP IN, BANKS SAW NO ALTERNATIVE BUT TO CALL IN LOANS.
3. OFFICIALS OF QSP HAVE CHARGED THAT COMPANY'S PROBLEMS ARE DUE TO DESIRE OF SIDBEC, A STEEL COMPANY WHOLLY-OWNED BY QUEBEC GOVERNMENT, TO CONTROL QUEBEC MARKET. PROBLEMS REPORTEDLY BEGAN

IN 1971 WHEN SIDBEC REFUSED TO RENEW CONTRACT TO PURCHASE SCRAP STEEL FROM QSP, WHICH AT THAT TIME WAS CONCENTRATED IN THE PROFITABLE PRODUCTION OF SCRAP STEEL. COMPLAINING THAT QSP'S PRICES WERE TOO HIGH AND THAT QUALITY WAS A PROBLEM, SIDBEC ESTABLISHED ITS OWN SCRAP FACILITY. WITH ITS SCRAP MARKET LOST, QSP CLAIMED THAT IT HAD NO OPTION BUT TO CONSTRUCT A MINI MILL TO UTILIZE ITS SCRAP, AN ACTION WHICH WAS FOUGHT TOOTH AND NAIL BY SIDBEC AND WHICH TURNED QSP FROM A PROFITABLE SCRAP STEEL ENTERPRISE TO A DEBT SADDLED STEEL PRODUCER IN AN UNFAVORABLE MARKET CHARACTERIZED BY OVERCAPACITY, INTENSIVE PRICE CUTTING, AND IMPORT COMPETITION.

4. PROVINCIAL GOVERNMENT, WITH ABOUT DOLS 1 BILLION INVESTED IN SIDBEC, HAS MAINTAINED THAT IT HAD NO RESPONSIBILITY TO ASSIST A PRIVATE COMPETITOR. IN STATEMENT TO NATIONAL ASSEMBLY YESTERDAY, ECONOMIC DEVELOPMENT MINISTER BERNARD LANDRY STATED THAT QSP'S MINI MILL SHOULD NEVER HAVE BEEN BUILT IN FIRST PLACE AND THAT PROVINCIAL AND FEDERAL GOVERNMENTS HAD COMMITTED GRAVE ERROR IN PROVIDING PREVIOUS FINANCIAL BACKING TO QSP. PROVINCIAL GOVERNMENT'S RELUCTANCE TO SERVE AS FINANCIAL GUARANTOR MAY NOT, HOWEVER, EXTEND TO OWNERSHIP, AS LATEST REPORTS INDICATE THAT ONLY POTENTIAL PURCHASER AT MOMENT OF QSP'S ASSETS IS SIDBEC.

5. COMMENT: GOVERNMENT'S DECISION WAS UNDOUBTEDLY SOUND, AS WORLD MARKET CONDITIONS IN STEEL INDUSTRY, LAGGING CONSTRUCTION IN QUEBEC, AND COMPETITION WITHIN QUEBEC MARKET FROM SIDBEC AND STELCO OFFERED LITTLE PROMISE FOR QSP. IN ADDITION, GOVERNMENT COMES OUT WINNER WITH ELIMINATION OF A COMPETITOR AND POSSIBLE ACQUISITION OF SOME ASSETS AT A BARGAIN PRICE. UNEMPLOYED WORKERS

UNCLASSIFIED

PAGE 03 MONTRE 00927 091308Z

ARE THE LOSERS, WITH NEW JOBS HARD TO COME BY IN QUEBEC THESE DAYS. DISAPPEARANCE OF A PRIVATE SECTOR ENTERPRISE WILL PROBABLY ALSO INCREASE WORRIES OF THOSE CONCERNED ABOUT PQ'S PROFESSED SOCIALIST ORIENTATION IN ECONOMIC SECTOR.  
HARPER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL CRISIS, CLOSURE OF OFFICES, BUSINESS FIRMS, STEEL PLANTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 08-Jun-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977MONTRE00927  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770206-0602  
**Format:** TEL  
**From:** MONTREAL  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770679/aaaacqum.tel  
**Line Count:** 102  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** b889a182-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 MONTREAL 494  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 08-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2230894  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** QUEBEC STEEL COMPANY FORCED TO CLOSE  
**TAGS:** ECON, CA, QSP LTD  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/b889a182-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009